

CALIFORNIA EXPOSITION & STATE FAIR

Minutes of the Board of Directors Regular Meeting

Held Pursuant to Due Notice
Friday, December 10, 2010

California Exposition & State Fair
Administration Building Boardroom
1600 Exposition Boulevard
Sacramento, CA 95815

Directors Present

Director Corny Gallagher, Chair
Director Rick Stacey, Vice Chair
Director Gil Albiani
Director Kathy Nakase
Director Marko Mlikotin
Director Amparo Pérez-Cook
Director Rex Hime
Director Richard Cuneo

Directors Absent

Director Steve Beneto
Director Bert Johnson

Ex Officio Members Absent

Assembly Member Dave Jones
Senator Darrell Steinberg

Staff Present

Norbert J. Bartosik, General Manager/CEO (GM)
Brian A. May, Deputy General Manager (DGM)
David Elliott, Assistant General Manager, Racing (AGM)
Patricia Garamendi, Assistant General Manager, Programs (AGM)
Amy Coleman-Casias, Assistant General Manager, Special Projects (AGM)
Susan Vellutini, Human Resources Manager
Marcia Shell, Admissions, Parking & RV Park Manager
Joan Evans, Interim Marketing Manager (IMM)
Sandi Hurtgen, Entry Office Supervisor
Tomme Jo Dale, Livestock Program Coordinator
Paul Gillingham, Entertainment Coordinator
Robert Craft, Chief of Police
Jan Risso, Contract Manager
Vicki Conwell, Receptionist
Ron Hillier, Event Services Supervisor
Spencer Glippa, Law Enforcement
Ron Hillier, Event Services Supervisor
Randy Brink, Cal Expo Volunteer
Linda Contreras, Recording Secretary

Others Present*

Jerry Blair, Deputy Attorney General (DAG)
Sonney Chong, Representative for Assembly Member Dave Jones
Mindi Russell, Law Enforcement Chaplaincy
Robert Harbin, CBS Outdoor, Inc.
Ken Allred, Gerry Kamilos LLC
Mona Foster, Hui O Hawaii of Sacramento
Alan Horowitz, California Harness Horsemen Association
Cristin Wagoner, Runyon Saltzman & Einhorn
Courtney Pasqual, Runyon Saltzman & Einhorn
Norm Towne, Consultant
Allen Conwell
Jean Fleury

*May not include all others present in the room or arriving late.

1. CALL TO ORDER

The meeting was called to order by Chair Gallagher at 12:30 p.m.

Chair Gallagher read the Mission Statement and the Policy Statement.

2. PLEDGE OF ALLEGIANCE

Chair Gallagher asked Outgoing Chair Director Albiani to lead the Board, Staff and Guests in the Pledge of Allegiance.

3. ROLL CALL AND DIRECTORS ABSENT

Roll call was taken by GM Bartosik and a quorum was present. Directors Beneto and Johnson were not present and had asked to be excused.

Motion:

It was moved by Director Albiani and seconded by Director Stacey to excuse the absence of Directors Beneto and Johnson. **All in favor, motion carried.**

4. INTRODUCTION OF GUESTS & STAFF

Introduction of Guests and Staff were made around the room.

5. PRESENTATIONS

a. Presentation by the Board to Outgoing Chair Gil Albiani

Chair Gallagher recognized and thanked Outgoing Chair, Director Gil Albiani.

Director Albiani thanked the Board and expressed how blessed Cal Expo is with a great Board and Staff.

Director Hime commented and thanked Director Albiani for his leadership on the Board and for continually and sufficiently recognizing the Staff which is very much appreciated.

b. Contribution by the Board to the Law Enforcement Chaplaincy Program

Chief of Police, Robert Craft and Chair Gallagher presented Chaplain Mindi Russell with a check for \$2,000 to recognize the valuable work done by the Chaplains.

c. Presentation by the Board Chair to Ron Hillier, Vicki Conwell and Spencer Glippa

Golden Bears were presented to retiring employees Spencer Glippa, Vicki Conwell and Ron Hillier recognizing their years of service to Cal Expo.

Mr. Glippa thanked the Board for the Golden Bear.

Director Albiani commented that Mr. Glippa is an excellent wrestling coach who coached a couple of his kids.

Ms. Conwell thanked the Board for the Golden Bear and will miss everyone.

Mr. Hillier thanked the Board for the Golden Bear. DGM May commented that Ron has been a valued employee who could always be counted on in a crisis.

6. MINUTES OF MEETING

- a. Board of Directors Committees and Meeting Minutes of October 25, 2010, October 28, 2010 and October 29, 2010

Motion:

It was moved by Director Stacey and seconded by Director Pérez-Lemus to approve the minutes of October 25, 2010, October 28, 2010 and October 29, 2010 as mailed.

All in favor, motion carried.

7. COMMITTEE AND STAFF REPORTS

- a. State Fair, Agriculture & Marketing Committee Reports – Director Albiani

Director Albiani reported on the reasons for the Staff recommendation to change the State Fair dates from July 13 to July 14 through July 31.

This change is predicated on a 9 day race meet and the Staff's strong feeling that said attendance will not change. Expenses can be reduced to put the State Fair in a stronger financial position.

Motion:

It was moved by Director Albiani and seconded by Director Pérez-Lemus to approve the Revision to the 2011 State Fair Dates from July 13 to July 14 through July 31.

All in favor, motion carried.

IMM Evans reviewed her reports included in the Board packet.

IMM Evans said Staff is looking at a similar State Fair theme as last year which is "The Adventure Continues".

IMM Evans reported that Rory Kaufman was re-elected as Chair of the Cultural Advisory Council and Jose Reynoso was elected Vice Chair.

AGM Garamendi reviewed her reports included in the Board packet.

AGM Garamendi reported that Rich Engle was elected Chair of the Agricultural Advisory Council.

AGM Garamendi reported that the date of the State Fair Gala is Friday, July 8, 2011. A meeting was held with the Wine Advisory Task Force and they agreed that the presentation of the Lifetime Achievement Award and the Vineyard of the Year Award should be held during the Gala.

AGM Garamendi reported the Harvest Grape & Gourmet is tentatively scheduled on Saturday, September 17, 2011 and Staff is currently reviewing other local calendars for similar events to avoid any conflicts.

AGM Garamendi reported that the State Fair Competition Handbooks and Scholarship applications are available online.

b. Horse Racing Committee Reports – Director Beneto

Director Albani reported on the Committee recommendation to reduce the State Fair Race Meet from 10 days to 9.

AGM Elliott reported that Hollywood Park will not be racing on July 13. Without Hollywood Park, Cal Expo will likely lose money if it races on July 13.

AGM Elliott reviewed his report included in the Board packet.

Director Hime expressed concern about the overpayment in light of Cal Expo's financial condition and the impact the overpayment could have on the State Fair program.

c. Operations & Planning Committee Reports – Director Cuneo

Director Cuneo reported the Cal Expo Flood Plain Management Agreement is being tabled until next month for Staff to address the Committee's request for modification.

Board Approval is being recommended of the Digital Billboard Agreement with CBS Outdoor, Inc.

Motion:

It was moved by Director Cuneo and seconded by Director Hime to approve the Digital Billboard Agreement with CBS Outdoor, Inc. **All in favor, motion carried.**

Director Nakase applauds Contract Manager, Risso and Mr. Robert Harbin for putting together a very thorough response to Cal Expo's RFP. This is a very favorable contract for both parties.

d. Executive Committee Report – Chair Gallagher

Chair Gallagher reported that the Committee discussed changes that may occur with the change in Administration. The Committee also discussed the future of horse racing in California.

e. Legislative Committee Report – Director Hime

No meeting was held but a verbal report was given by our consultant Norm Towne, during the Executive Committee.

8. FINANCIAL REPORTS

- a. Monthly Financial Statements for October 2010
- b. Accounts Receivable Reports
- c. Contracts/Purchases Requiring Board Approval
- d. Contract/Purchases Requiring Board Notification
- e. Parking Income Recap Report

AGM McIlwain is out sick and AGM Coleman-Casias will be making the report.

AGM Coleman-Casias reviewed the monthly financial statements for October 2010 included in the Board packet.

An updated Cash Flow Analysis and Forecast Report were distributed to the Board. A copy is attached and made part of the record.

Director Stacey reviewed the new reporting format for Accounts Receivable which was distributed to the Board. A copy is attached and made part of the record.

Director Hime commended Director Stacey and Staff on the revised report.

Motion:

It was moved by Director Stacey and seconded by Director Cuneo to approve the monthly financial reports for October 2010 and the Contracts/Purchases Requiring the Board's approval. **All in favor, motion carried.**

9. CONSENT CALENDAR

- a. Review for Approval Cal Expo Flood Plain Management Agreement with the County of Sacramento

This was tabled and will be brought back to the Board.

- b. Review & Consider for Approval the Executive Committee Recommendation of Hui O Hawaii of Sacramento, Inc. for a Charitable Use of the Facility Community Partnership Program Award, for a 1st Annual Aloha Festival

Motion:

It was moved by Director Rex Hime and seconded by Director Nakase to approve the Application from Hui O Hawaii of Sacramento, Inc. for a 1st Annual Aloha Festival for the Charitable Use of the Facility Community Partnership Program Award.

Mona Foster with Hui O Hawaii thanked the Board for consideration and on behalf of all the members of the Hui O Hawaii of Sacramento. The event is scheduled on October 22, 2011. **All in favor, motion carried.**

10. CORRESPONDENCE

- a. Letter to the Board from Kendra Santos on behalf of the Professional Rodeo Cowboys Association
- b. Letters of Congratulations from International Association of Fairs and Expositions on the 2010 IAFE Competitive Exhibits Awards

The Board had no questions.

11. UNFINISHED BUSINESS

- a. Review Staff Report and Recommendations on Funding Policies and Consider the following Report from A. Plescia & Co. on the Redevelopment of Cal Expo, and a Change from Redevelopment of Cal Expo to Cal Expo Renewal Project

GM Bartosik reviewed the Staff report included in the Board packet.

Motion:

It was moved by Chair Gallagher and seconded by Director Cuneo to approve the \$220,000 10-year Funding Loan from the Division of Fairs and Expositions for the Cal Expo Renewal Project for Task 1. **All in favor, motion carried.**

Director Mlikotin asked that goals and objectives be presented for the project.

Director Mlikotin asked if this will be the same type of financing mechanism for the future stages or will a commercial broker be hired who works on commission?

GM Bartosik commented that it's too soon to determine and will report back to the Board after discussing with Andy Plescia.

PUBLIC COMMENT

Jean Fleury

Ms. Fleury does not support the sale of Cal Expo property. A copy of her statement is attached and made part of the record.

12. NEW BUSINESS

- a. Review and Recommend Approval of Changes to the Policy & Procedures Manual, Section 10 – 10.2.3 – Execution of Agreements

Motion:

It was moved by Director Hime and seconded by Director Nakase to approve the changes to the Policy & Procedures Section 10 - 10. 2.3 - Execution of Agreements.

All in favor, motion carried.

- b. Review and Recommend Approval of Digital Billboard Agreement with CBS Outdoor, Inc.

This was approved during the Operations & Planning Committee report.

- c. Review for Board Approval Revision to the 2011 State Fair Dates, from July 13 to July 14 through July 31

This was approved during the State Fair, Agriculture & Marketing Committee report.

13. MATTERS OF INFORMATION

- a. Public Comments
- b. Directors' Comments
- c. Manager's Comments

GM Bartosik reported the Western Fairs Association Convention & Tradeshow is scheduled on January 16-19, 2011.

Randy Brink provided his report.

- d. Next Board Meeting – **Friday, January 28, 2011**
- e. Other, if any

14. ADJOURNMENT

Motion:

It was moved by Director Hime and seconded by Director Pérez-Lemus to adjourn the Board of Directors meeting. **All in favor, motion carried.**

The Board of Directors meeting was adjourned at 2:00 p.m.

California Exposition and State Fair

Summary of Accounts Receivable by Department - **DRAFT**

At October 31, 2010

	Marketing	Miscellaneous	Operations Interim Events	Programs	Racing	All Departments
Gross Statutory A/R						
From Aging Report	\$ 212,498	\$ 53,827	\$ 237,649	\$ 66,351	\$ 632,873	\$ 1,203,198
From Personal Services		5,164				5,164
From Credit Cards			3,549			3,549
From Purse Overpayment					69,639	69,639
From Purse Overpayment					592,800	592,800
From Harness Revenue and Pass-thru					825,658	825,658
From AR Schedule	144,463	295,625	329,820	567	614,717	1,385,192
Total Statutory AR from all sources	\$356,961	\$354,616	\$571,018	\$66,918	\$2,735,687	\$4,085,200
Less Harness Racing Pass-thru items	0	0	0	0	(1,110,596)	(1,110,596)
Statutory A/R net of Pass thru	\$356,961	\$354,616	\$571,018	\$66,918	\$1,625,091	\$2,974,604
Write-offs awaiting state approval						
2000	(2,808)					(2,808)
2005	(141,655)		(140,423)			(282,078)
2006		(845)		(567)		(1,412)
2007			(589)			(589)
2008		(2,545)			(583,624)	(586,169)
2009		(465)	(31,807)	(9,506)	(117,788)	(159,567)
Write-offs awaiting state Approval	(\$144,463)	(\$3,855)	(\$172,819)	(\$10,073)	(\$701,412)	(\$1,032,622)
Adjusted Accounts Receivable	\$212,498	\$350,761	\$398,199	\$56,845	\$923,679	\$1,941,982
Less accounts: >120 days	(67)		(46,956)	(152)	(21,017)	(68,192)
Estimate -Collectable Accounts Receivable	\$ 212,431	\$ 350,761	\$ 351,243	\$ 56,693	\$ 902,662	\$ 1,873,790
Aging	Marketing	Miscellaneous	Operations Interim Events	Programs	Racing	All Departments
Current	\$ 73,330	\$ 307,278	\$ 329,341	\$ 43,067	\$ 686,127	\$ 1,439,143
30-60 days	300		2,561	4,568	344	7,773
60 -90 days	25,000	105	10,434	2,644	91,234	129,417
Over 90 days	113,801	43,378	8,907	6,414	124,957	297,457
Total Aged Receivables	\$ 212,431	\$ 350,761	\$ 351,243	\$ 56,693	\$ 902,662	\$ 1,873,790

California Exposition and State Fair
 Analysis and Forecast of Cash Flow for 2010 and 2011
 (A=actual, F=forecasted)

Year/Month		Receipts	Disbursements	Cash Balance	Net forecast change
2010		Beginning balance 1/1/2010			
				\$ 2,695,553	
January	A	\$ 1,623,230	\$ 2,584,404	1,734,379	
February	A	2,236,858	2,280,276	1,690,961	
March	A	3,022,166	2,631,649	2,081,478	
April	A	1,597,673	2,194,419	1,484,732	
May	A	3,057,672	2,356,024	2,186,380	
June	A	3,295,263	2,867,581	2,614,062	
July	A	8,897,385	4,512,990	6,998,457	
August	A	3,475,058	4,727,476	5,746,039	
September	A	651,642	2,928,055	3,469,626	
October	A	1,803,782	1,679,686	3,593,722	\$ 469,791
November	A	2,296,380	2,486,060	3,404,042	\$ 826,320
December	F	1,610,000	2,351,000	2,663,042	
TOTALS		\$ 33,567,109	\$ 33,599,620		
2011		Beginning balance 1/1/2011			
				\$ 2,663,042	
January	F	\$ 1,541,480	\$ 2,410,114	1,794,408	
February	F	2,155,108	2,460,140	1,489,376	
March	F	2,940,416	2,211,429	2,218,363	
April	F	1,515,923	2,169,687	1,564,599	
May	F	2,975,922	2,246,308	2,294,213	
June	F	3,213,513	2,792,885	2,714,841	
July					
August					
September					
October					
November					
December					
TOTALS		\$ 14,342,362	\$ 14,290,563		

Assumptions:

Receipts

Events will closely follow Q1 and Q2 of 2010. The impact of changes from 2010 to 2011 is negligible: Q1 (\$17,390) and Q2 \$30,000.

Harness racing and simulcast wagering is forecast to be down 24% collectively. Receipts have been reduced by \$81,750 per month.

Disbursements

Payroll costs adjusted for increase in health benefit premiums and PERS %, and decreased by 4.62% due to the state budget cut.

Payroll costs also reflect a \$40,000/month reduction in temporary help costs.

Accounts payable decreased \$90,000/month to reflect a decrease in capital outlay in relation to corresponding quarters in 2010.

12-10-10 REMARKS FOR CAL EXPO BOARD MEETING by Jean Fleury
Re: Cal Expo Renewal Project

As I have previously quoted, Yogi Berra stated, "If you come to a fork in the road, take it." Cal Expo made the first fork choice on September 24th by deciding not to accept the land-swap proposal presented by The Convergence group. Now the next junction is whether to sell Cal Expo's so called "surplus" land to get funds to do millions of dollars worth of maintenance work on its facilities.

I understand that this work must be done. I'm just not sure that selling Cal Expo's unused property is the answer. Currently, Cal Expo has enough land to not only accommodate the needs of the existing two million regional residents, but enough to accommodate the additional millions projected in the future. In the next 50 years, the area population will double again. Cal Expo will need all the land it now owns to accommodate those millions more residents in order to accomplish its mission to the citizens of California. Selling at today's low real estate prices and buying other land later at higher rates will be a terrible mistake. And, Cal Expo's current site is irreplaceable. It has a one-of-a-kind location.

An article published in The Sacramento Bee on November 8th stated that Cal Expo might be communicating with VisionMaker to develop new or modernized facilities. If Cal Expo is contemplating working with VisionMaker, it must not let any of the income produced be used to build an arena. The people of Sacramento have spoken clearly, at the ballot box, that they do not want taxpayers' monies to be spent for the construction of a sports complex. All profits from Cal Expo land should be used for Cal Expo projects. It should not give carte blanche to VisionMaker to use the land free as the previous Convergence proposal dictated. If VisionMaker won't work under those stipulations, there may be others who will.

I have no qualms about Cal Expo working with VisionMaker or another creative design firm to come up with imaginative ideas on how to develop Cal Expo land as an entertainment venue. However, It must be a place that fulfills Cal Expo's mission "to create a State Fair experience reflecting California including its industries, agriculture, diversity of its people, traditions and trends shaping its future supported by year-round events." It should be a diversified venue that includes amusement attractions, educational exhibits, a community-gathering center, a place to relax, and when necessary, a shelter for the disadvantaged, an emergency staging area and a place to congregated in ~~case~~ ^{CASE} of disaster.

Cal Expo must keep a dominate position in order to make sure that its mission is carried out in any type of partnership that it may enter into, whether that is with private industry, nonprofits, government agencies, or others. It should share in any profits that are made and/or be paid for the lease of its land so that it can further its responsibilities.

Cal Expo staff needs to search for every grant, stimulus money, sponsorship, endowment, award, donation and appropriate tax it can get to further this goal without selling any of its surplus property. Only as a last resort should a land sale be considered. If sale of acreage is necessary, the eastern-most property only should be considered so that Cal Expo has visibility from the freeway and Exposition Boulevard.

The State Fair and Exposition must be the cheerleader for state agriculture, commerce, history, culture, parks, cities, counties, and other state attractions--a visual chamber of commerce. It must take advantage of this extraordinary opportunity to make this exceptional site an amazing attraction for our region and state, now and for future generations.

CALIFORNIA EXPOSITION & STATE FAIR

Executive Committee Meeting Minutes
Friday, December 10, 2010
11:30 a.m.

MINUTES

Committee Members Present:

Corny Gallagher, Chair
Director Amparo Pérez-Lemus
Director Gil Albiani
Director Rick Stacey
Director Richard Cuneo

Staff Present:

General Manager/CEO (GM)
Deputy General Manager (DGM)
Cal Expo Volunteer
Recording Secretary

Norb Bartosik
Brian May
Randy Brink
Linda Contreras

Others Present:

Consultant

Norm Towne

Chair Gallagher called the meeting to order at 11:30 a.m. and dispensed with reading the Mission Statement and Public Comments Statement.

NEW BUSINESS

1. Review & Consider the Request of Hui O Hawaii of Sacramento, Inc. for a Charitable Use of the Facility Community Partnership Program Award, for a 1st Annual Aloha Festival

GM Bartosik recommends approval of the Request of Hui O Hawaii of Sacramento, Inc. for a Charitable Use of the Facility Community Partnership Program Award for a 1st Annual Aloha Festival.

Motion:

It was moved by Director Pérez-Lemus and seconded by Director Cuneo to recommend to the Board for approval the Application from Hui O Hawaii of Sacramento, Inc. for a Charitable Use of the Facility Community Partnership Program Award. **All in favor, motion carried.**

MATTERS OF INFORMATION

1. Staff Reports
 - a. Legislative Update

Legislative Consultant, Norm Towne says everything regarding fair funding will be on the table in the next Legislative Session.

The new Administration may look to a staff person whose sole responsibility will be Fair Board appointments.

Discussion ensued on Horse Racing and a meeting scheduled by Staff with John Harris and Keith Pronske.

Chair Gallagher reported that the Agricultural Advisory Council approved the membership application to the Council for Jennifer Fearing with The Humane Society of the United States and will be brought to the Board for approval next month.

GM Bartosik reported that Staff is working on the Animal Welfare Policy update with UC Davis and this may be brought to the Board in January for approval.

Chair Gallagher complimented Stephen Chambers with Western Fairs Association on the Sacramento Bee article on Importance & Assets of Fairs for Communities.

ADJOURNMENT

The Executive Committee meeting adjourned at 12:10 p.m.

CALIFORNIA EXPOSITION & STATE FAIR

Operations & Planning Committee Meeting Minutes
Friday, December 10, 2010
10:30 a.m.

MINUTES

Committee Members Present:

Richard Cuneo, Chair
Director Rex Hime
Director Kathy Nakase
Director Marko Mlikotin

Other Board Members Present:

Corny Gallagher, Chair

Staff Present:

General Manager/CEO (GM)
Deputy General Manager (DGM)
Assistant General Manager, Programs (AGM)
Assistant General Manager, Special Projects (AGM)
Interim Marketing Manager (IMM)
Admissions, Parking & RV Park Manager
Contract Manager
Recording Secretary

Norb Bartosik
Brian May
Patricia Garamendi
Amy Coleman-Casias
Joan Evans
Marcia Shell
Jan Risso
Linda Contreras

Others Present:

CBS Outdoor, Inc.

Robert Harbin

Chair Cuneo called the meeting to order at 10:36 a.m. Chair Cuneo read the Mission Statement and the Public Comments Statement.

UNFINISHED BUSINESS

1. Review & Approve Cal Expo Flood Plain Management Agreement with the County of Sacramento

AGM May reviewed the Cal Expo Flood Plain Management Agreement with the County of Sacramento included in the Board packet.

The Committee asked that the use of the word "lease" be replaced with some other term to reflect the purpose of the Agreement. The Committee also asked that paragraph 12 be revised to remove the term "sublet".

Staff will work with counsel on the modifications and bring the Agreement back to the Board after approval by the County.

NEW BUSINESS

1. Review & Approve CBS Outdoor , Inc. Digital Billboard Agreement

Contract Manager, Jan Risso reviewed the CBS Outdoor, Inc. Digital Billboard Agreement included in the Board packet.

Contract Manager, Jan Risso introduced Robert Harbin of CBS Outdoor, Inc. Mr. Harbin provided background on CBS Outdoor, Inc.

Director Cuneo asked Mr. Harbin if the CBS Outdoor, Inc. proposal was market value. Mr. Harbin said it meets or exceeds the market. AGM May said it's very aggressive when compared to the recent agreement between the City of Sacramento and Clear Channel.

Chair Gallagher asked if a 20 year term was normal. Mr. Harbin said yes because of the capital investment.

Director Mlikotin asked about medical marijuana ads. Mr. Harbin said CBS Outdoor, Inc. is a good corporate citizen and does not support this kind of advertising. Contract Manager, Jan Risso said the contract prevents it.

AGM Garamendi asked about State Fair usage. Mr. Harbin said there will be space available for the State Fair.

Director Nakase suggested contract language to address any relocation or elimination of signs because of property development. Mr. Harbin agrees.

Motion:

It was moved by Director Hime and seconded by Director Nakase to recommend to the Board for approval the CBS Outdoor, Inc. Digital Billboard Agreement with the suggested modification regarding relocation. **All in favor, motion carried.**

MATTERS OF INFORMATION

1. Staff Reports

The Committee had no questions.

Director Mlikotin commented on the current issue reported in the news that sewer costs may be increased and how will this impact Cal Expo.

AGM May responded that our costs could triple but feels the City and County will appeal the increase.

ADJOURNMENT

Motion:

It was moved by Director Hime and seconded by Director Nakase to adjourn the Operations & Planning Committee. **All in favor, motion carried.**

The Operations & Planning Committee meeting adjourned at 11:20 a.m.

CALIFORNIA EXPOSITION & STATE FAIR

Finance & Audit Committee Meeting Minutes
Friday, December 10, 2010
9:30 a.m.

MINUTES

Committee Members Present:

Rick Stacey, Chair
Director Marko Mlikotin
Director Rex Hime
Director Kathy Nakase

Other Board Members Present:

Corny Gallagher, Chair

Staff Present:

General Manager/CEO (GM)
Deputy General Manager (DGM)
Assistant General Manager, Racing (AGM)
Assistant General Manager, Special Projects (AGM)
Assistant General Manager, Programs (AGM)
Admissions, Parking & RV Park Manager
Interim Marketing Manager (IMM)
Livestock Program Manager
Contracts Manager
Recording Secretary

Norb Bartosik
Brian May
Dave Elliott
Amy Coleman-Casias
Patricia Garamendi
Marcia Shell
Joan Evans
Tomme Jo Dale
Jan Risso
Linda Contreras

Chair Stacey called the meeting to order at 9:47 a.m.

Chair Stacey thanked Director Gallagher for his service on the Finance & Audit Committee and welcomed Director Hime to the Committee.

Chair Stacey read the Mission Statement and commented that Chair Gallagher had appointed Board members of this Committee to other standing committees so they can bring and report the financial status to these other committees. Chair Stacey dispensed with reading the Public Comments Statement.

NEW BUSINESS

1. Monthly Financial Reports for October 2010

AGM McIlwain is out sick and AGM Coleman-Casias will be making the report.

AGM Coleman-Casias reviewed the Monthly Financial Reports for October 2010 included in the Board packet.

An Analysis and Forecast of Cash Flow for 2010 and 2011 was distributed and reviewed. A copy is attached and made part of the record.

2. Accounts Receivable Report

A revised Accounts Receivable Summary Report was distributed and reviewed. A copy is attached and made part of the record. This is a new format which reflects which Cal Expo department the Accounts Receivable originates from.

Chair Stacey asked that the Committee focus its attention on the trends with aging. If the total aged receivable isn't going up, then the Committee can focus its attention elsewhere.

3. Contracts/Purchases Requiring Board Approval

AGM Coleman-Casias reviewed the Contracts/Purchases Requiring Board Approval included in the Board packet.

MATTERS OF INFORMATION

1. Contracts/Purchases Requiring Board Notification

AGM Coleman-Casias reviewed the Contracts/Purchases Requiring Board Notification included in the Board packet. The report included a misspelling of Teichert Precast Products and will be corrected.

2. Parking Income Recap Report

Admissions, Parking & RV Park Manager, Marcia Shell reviewed the Parking Income Recap Report included in the Board packet.

Director Hime asked that Staff speak with the City about posting streets for some events with signs, "NO PARKING".

Chair Stacey reviewed the Capital Project Projection Report included in the Board packet.

Chair Gallagher encouraged members to stop talking about the deferred maintenance and start talking about the positive things to make Cal Expo a better place to do business.

Chair Stacey commented that Staff will provide information on funding for the Cal Expo Renewal Project during the Board meeting.

Motion:

It was moved by Director Hime and seconded by Director Mlikotin to recommend to the Board for approval the monthly financial statements for October 2010 and the Contracts/Purchases Requiring Board Approval. **All in favor, motion carried.**

ADJOURNMENT

Motion:

It was moved by Chair Stacey and seconded by Director Mlikotin to adjourn the Finance & Audit Committee Meeting. **All in favor, motion carried.**

The Finance & Audit Committee meeting adjourned at 10:30 a.m.

California Exposition and State Fair

Summary of Accounts Receivable by Department - **DRAFT**

At October 31, 2010

	Marketing	Miscellaneous	Operations Interim Events	Programs	Racing	All Departments
Gross Statutory A/R						
From Aging Report	\$ 212,498	\$ 53,827	\$ 237,649	\$ 66,351	\$ 632,873	\$ 1,203,198
From Personal Services		5,164				5,164
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From Harness Revenue and Pass-thru					825,658	825,658
From AR Schedule	144,463	295,625	329,820	567	614,717	1,385,192
Total Statutory AR from all sources	\$356,961	\$354,616	\$571,018	\$66,918	\$2,735,687	\$4,085,200
Less Harness Racing Pass-thru items	0	0	0	0	(1,110,596)	(1,110,596)
Statutory A/R net of Pass thru	\$356,961	\$354,616	\$571,018	\$66,918	\$1,625,091	\$2,974,604
Write-offs awaiting state approval						
2000	(2,808)					(2,808)
2005	(141,655)		(140,423)			(282,078)
2006		(845)		(567)		(1,412)
2007			(589)			(589)
2008		(2,545)			(583,624)	(586,169)
2009		(465)	(31,807)	(9,506)	(117,788)	(159,567)
Write-offs awaiting state Approval	(\$144,463)	(\$3,855)	(\$172,819)	(\$10,073)	(\$701,412)	(\$1,032,622)
Adjusted Accounts Receivable	\$212,498	\$350,761	\$398,199	\$56,845	\$923,679	\$1,941,982
Less accounts: >120 days	(67)		(46,956)	(152)	(21,017)	(68,192)
Estimate -Collectable Accounts Receivable	\$ 212,431	\$ 350,761	\$ 351,243	\$ 56,693	\$ 902,662	\$ 1,873,790
Aging	Marketing	Miscellaneous	Operations Interim Events	Programs	Racing	All Departments
Current	\$ 73,330	\$ 307,278	\$ 329,341	\$ 43,067	\$ 686,127	\$ 1,439,143
30-60 days	300		2,561	4,568	344	7,773
60 -90 days	25,000	105	10,434	2,644	91,234	129,417
Over 90 days	113,801	43,378	8,907	6,414	124,957	297,457
Total Aged Receivables	\$ 212,431	\$ 350,761	\$ 351,243	\$ 56,693	\$ 902,662	\$ 1,873,790

California Exposition and State Fair
 Analysis and Forecast of Cash Flow for 2010 and 2011
 (A=actual, F=forecasted)

Year/Month		Receipts	Disbursements	Cash Balance	Net forecast change
2010		Beginning balance 1/1/2010			
				\$ 2,695,553	
January	A	\$ 1,623,230	\$ 2,584,404	1,734,379	
February	A	2,236,858	2,280,276	1,690,961	
March	A	3,022,166	2,631,649	2,081,478	
April	A	1,597,673	2,194,419	1,484,732	
May	A	3,057,672	2,356,024	2,186,380	
June	A	3,295,263	2,867,581	2,614,062	
July	A	8,897,385	4,512,990	6,998,457	
August	A	3,475,058	4,727,476	5,746,039	
September	A	651,642	2,928,055	3,469,626	
October	A	1,803,782	1,679,686	3,593,722	\$ 469,791
November	A	2,296,380	2,486,060	3,404,042	\$ 826,320
December	F	1,610,000	2,351,000	2,663,042	
TOTALS		\$ 33,567,109	\$ 33,599,620		
2011		Beginning balance 1/1/2011			
				\$ 2,663,042	
January	F	\$ 1,541,480	\$ 2,410,114	1,794,408	
February	F	2,155,108	2,460,140	1,489,376	
March	F	2,940,416	2,211,429	2,218,363	
April	F	1,515,923	2,169,687	1,564,599	
May	F	2,975,922	2,246,308	2,294,213	
June	F	3,213,513	2,792,885	2,714,841	
July					
August					
September					
October					
November					
December					
TOTALS		\$ 14,342,362	\$ 14,290,563		

Assumptions:

Receipts

Events will closely follow Q1 and Q2 of 2010. The impact of changes from 2010 to 2011 is negligible: Q1 (\$17,390) and Q2 \$30,000.

Harness racing and simulcast wagering is forecast to be down 24% collectively. Receipts have been reduced by \$81,750 per month.

Disbursements

Payroll costs adjusted for increase in health benefit premiums and PERS %, and decreased by 4.62% due to the state budget cut.

Payroll costs also reflect a \$40,000/month reduction in temporary help costs.

Accounts payable decreased \$90,000/month to reflect a decrease in capital outlay in relation to corresponding quarters in 2010.

CALIFORNIA EXPOSITION & STATE FAIR

State Fair, Agriculture & Marketing Committee Meeting Minutes
Friday, December 10, 2010
9:00 a.m.

MINUTES

Committee Members Present:

Gil Albiani, Chair
Director Corny Gallagher
Director Amparo Pérez-Lemus
Director Marko Mlikotin

Staff Present:

General Manager/CEO (GM)
Deputy General Manager (DGM)
Assistant General Manager, Special Projects (AGM)
Assistant General Manager, Programs (AGM)
Interim Marketing Manager (IMM)
Admissions, Parking & RV Park Manager
Livestock Program Coordinator
Recording Secretary

Norb Bartosik
Brian May
Amy Coleman-Casias
Patricia Garamendi
Joan Evans
Marcia Shell
Tomme Jo Dale
Linda Contreras

Chair Albiani called the meeting to order at 9:12 a.m. and dispensed with reading the Mission Statement and Public Comments Statement.

NEW BUSINESS

1. Review & Consider for Approval Revision to the 2011 State Fair Dates from July 13 to July 14 through July 31

Staff presented its recommendation to change the State Fair dates from July 13 to July 14 through July 31. This change is predicated on a 9 day race meet and the Staff's strong feeling that the attendance projection can be met with one less day. Expenses can also be reduced to put the State Fair in a stronger financial position.

Director Mlikotin expressed concerns about the consistency of dates with this change.

GM Bartosik reported race dates could be 3 weeks in 2012 with a change in fair dates by the Alameda & Sonoma County Fairs.

Motion:

It was moved by Director Pérez-Lemus and seconded by Director Gallagher to recommend to the Board for approval the revision to the 2011 State Fair Dates from July 13 to July 14 through July 31. **All in favor, motion carried.**

MATTERS OF INFORMATION

1. Staff Reports

AGM Garamendi reviewed her report included in the Board packet.

AGM Garamendi reported that the date of the State Fair Gala is Friday, July 8, 2011. A meeting was held with the Wine Advisory Task Force and they agreed that the presentation of the Lifetime Achievement Award and the Vineyard of the Year Award should be held during the Gala.

AGM Garamendi reported the Harvest Grape & Gourmet is tentatively scheduled on Saturday, September 17, 2011 and Staff is currently reviewing other local calendars for similar events to avoid any conflicts.

IMM Evans reviewed her report included in the Board packet.

IMM Evans reported that Staff is in discussions with Runyon Saltzman & Einhorn regarding the State Fair Campaign and will present a report to the Board at the February meeting.

IMM Evans reported that Rory Kaufman was re-elected as Chair of the Cultural Advisory Council and Jose Reynoso was elected Vice Chair.

Director Mlikotin asked that Runyon Saltzman & Einhorn be asked to look at how the expenses producing this year's campaign could be used in part for 2012 if we're forced to do more cost cutting.

ADJOURNMENT

The State Fair, Agriculture and Marketing Committee meeting adjourned at 9:45 a.m.

CALIFORNIA EXPOSITION & STATE FAIR
Horse Racing Committee Meeting Minutes
Friday, December 10, 2010
8:30 a.m.

MINUTES

Committee Members Present:	Director Rick Stacey Director Gil Albiani
Committee Member Absent:	Steve Beneto, Chair Director Bert Johnson
Other Board Members Present:	Corny Gallagher, Chair
Staff Present:	
General Manager/CEO (GM)	Norb Bartosik
Deputy General Manager (DGM)	Brian May
Assistant General Manager, Racing (AGM)	David Elliott
Assistant General Manager, Special Projects (AGM)	Amy Coleman-Casias
Interim Marketing Manager (IMM)	Joan Evans
Recording Secretary	Linda Contreras
Others Present:	
California Harness Horsemen's Association (CHHA)	Alan Horowitz

Director Albiani called the meeting to order at 8:32 a.m. Director Albiani dispensed with reading the Mission Statement and the Public Comments Statement. Directors Beneto and Johnson were not present and had asked to be excused.

NEW BUSINESS

1. Review for Approval Revision to the 2011 State Fair Dates from July 13 to July 14 through July 31

AGM Elliott reported that Hollywood Park will not be racing on July 13. Without Hollywood Park, Cal Expo will likely lose money if it races on July 13.

Staff recommends that Cal Expo not race on Wednesday, July 13. Opening Day would be July 14. This change would reduce State Fair racing from 10 days to 9 days.

Motion:

It was moved by Director Stacey and seconded by Director Gallagher to recommend to the Board for approval Staff's recommendation to the 2011 State Fair Dates from July 13 to July 31 to July 14 through July 31 with the provision that if the State Fair opens on July 13, Staff will make every attempt to provide programming in the Grandstand. **All in favor, motion carried.**

MATTERS OF INFORMATION

1. Staff Reports

AGM Elliott reviewed his Staff Report included in the Board packet.

Director Stacey asked Staff for a status report on the over payment to Harness.

The over payment is approximately \$600,000, which includes \$100,000 left over from 2009.

Alan Horowitz, with California Harness Horsemen's Association, said that he's optimistic that handle growth will occur beginning in January. The horse population at Cal Expo is good.

Discussion ensued on Horse Racing and a meeting scheduled by Staff with John Harris and Keith Pronske.

AGM Elliott distributed an article on horse racing wagering. A copy is attached and made part of the record.

PUBLIC COMMENTS

ADJOURNMENT

The Horse Racing Committee meeting adjourned at 9:11 a.m.

GAMING

Betting's new breed

Firm to offer different kind of wagering on horse races

By Ari Levy

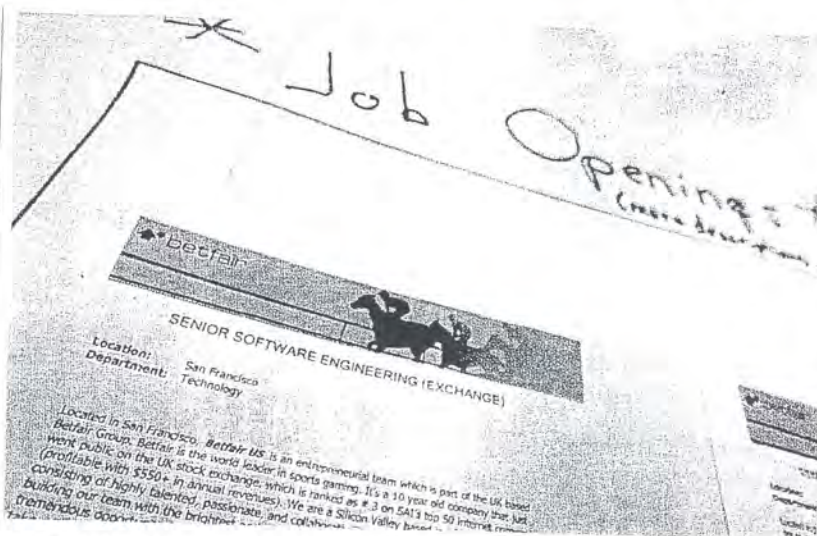
BLOOMBERG NEWS

Betfair Group PLC, a British online-gambling company, is wagering that it can revitalize California's slumping horse-racing industry.

The London company, which has spent a decade bringing legal sports betting to the Web, set its sights on California after the state passed a bill in September allowing horse betting through online exchanges.

Betfair has opened an office in San Francisco, where it's likely to more than quadruple its workforce next year to about 100, said Stephen Burn, the company's global director of racing. California's law, the first in the nation to legalize so-called exchange wagering, takes effect in May 2012.

"There's potentially massive upside there for us," said Burn, 48, who moved to the state from England a year ago. "We don't share



A job listing is posted in the Betfair office's kitchen area. The company expects to hire up to 80 more people by the middle of 2011.

the doom and gloom that other people have been coming up with about U.S. horse racing."

California gamblers are currently limited to pool betting, where money wagered on a horse is shared by the people who win. Exchange wagering works like a stock exchange, letting a racing fan bet on a horse to win or lose — even after the race has started — with the odds changing in real time. As the developer of the exchange, Betfair gets a commission on every wager.

Gov. Arnold Schwarzenegger and the Legislature are counting on the law to help save the state's struggling horse tracks. In the past decade, the amount bet on races has dropped about 10 percent, and attendance at tracks tumbled by more than a third.

Betfair says it's in a unique position to benefit from the law because it has an online exchange designed for horse racing and can work with regulators to ensure

Betfair continues on D5

Firm to offer a new kind of horse betting

Betfair from page D1

bets follow the rules. While lots of other sites provide online betting, many focus more on poker or other card games and violate U.S. laws.

Bettors worldwide

Founded in 1999, Betfair's exchange lets Internet users worldwide bet on sporting events, including horse racing. Most of its 3 million customers are outside the United States.

Betfair first sold shares to the public in October and is valued at \$2.2 billion on the London Stock Exchange. Horse racing accounts for about 35 percent of revenue, according to Burn. The company reported a 13 percent increase in fiscal 2010 sales to about \$531 million.

It entered the United States in January 2009 with the \$50 million purchase of TVG, a Los Angeles TV network and betting site that operates in states where gambling on horse racing is legal. About 350 of Betfair's 2,000 employees work for TVG.

While the acquisition of TVG gave Betfair a foothold in California, the company sees a bigger opportunity in exchange wagering, which it popularized in locations such as the United Kingdom, Italy and Australia. It has 20 employees in San Francisco and

expects to hire as many as 80 more by the middle of next year, mostly working on exchange technology, Burn said.

The company may face competition in California. Companies such as Churchill Downs Inc., which hosts the Kentucky Derby, have expressed interest in the market.

Exchange wagering attracts younger, more technology-savvy bettors than traditional pools betting, Burn said. About 80 percent of TVG's customer base is over the age of 50, while 80 percent of Betfair's users are under 50, he said.

Racing board backing

The new measure was unanimously supported by the California Horse Racing Board, which regulates gambling on the sport. Chairman Keith Brackpool says California has fallen behind states that have slot machines and casino games at tracks.

Because California has no racetrack-casino combinations, known as racinos, the industry is bringing in less revenue, which means less prize money, poorer horses and a reduction in total betting.

"You have this paradox now where tiny little tracks are offering big prize money because they're all subsidized through the slot operations," said Brackpool, who is also chief exec-

utive officer of Cadiz Inc., a Los Angeles company that owns thousands of acres of California desert. "This is our best chance of bringing in a new audience."

Attendance at California tracks tumbled to 6.7 million last year from 10 million in 2000, according to data from the state-run racing board.

The amount wagered dropped 9.1 percent to \$3.67 billion, and commissions fell 14 percent to \$146.5 million from \$171.1 million.

Bay Meadows in San Mateo, the track where Seabiscuit won twice in the 1930s, closed in 2008, making way for a residential and commercial district.

Time for setting rules

The new rules don't go into effect until mid-2012 because the state wanted to let regulators establish procedures and give companies time to build their technology. The bill has a clause that allows it to expire in May 2016 if it proves unpopular.

Churchill Downs CEO Robert Evans cited the California legislation in a conference call in November. The company is looking for ways to profit from online gaming, he said.

"The industry is hoping that the growth of the online space is going to help offset the decline of traditional on-track betting," said Anil Gupta, an analyst at Imperial Capital in Los Angeles.

Betfair CEO David Yu said his company will spend the next year working with regulators to ensure that new laws are clear to consumers and to establish a system that pumps enough revenue into the state and the horse racing industry.

"We like to see well-regulated markets," Yu said. "You should have regulation that protects consumers, and there should be a tax framework in place."

Following Sacramento's lead, the New Jersey Senate passed a bill in November to legalize exchange wagering.

The law, still awaiting the governor's signature, may take effect by the middle of 2011 — a year earlier than in California. Betfair is hoping more states enter the fray to create a bigger market, with more tracks and customers.

"The more liquidity you get, the more attractive the markets become, and you have this snowball effect," Burn said. "We can build the exchange for all of America and operate it from California."



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